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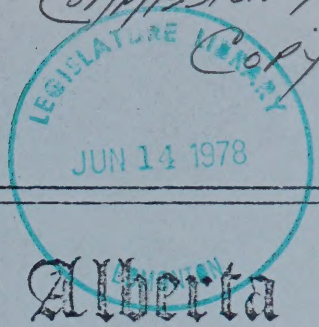

The Province of Alberta

IN THE MATTER OF THE PUB. UIRIES ACT

AND IN THE MATTER OF O/C 290/73, AN INQUIRY INTO THE NEW TOWN OF GRANDE CACHE

N. R. CRUMP, Esq., Chief Commissioner

T. H. PATCHING, Esq., Commissioner

DAVID GRAHAM, Esq., Commissioner

W. A. Stevenson, Esq., Commission Counsel

D. O. Sabey, Esq., Q.C., and
J. G. Martland, Esq., For McIntyre Porcupine Mines Ltd.

Lorne Ingle, Esq., For United Steelworkers of America.

DATE: September 25, 1973

HELD AT: Edmonton, Alberta.

VOLUME XI

(Pages 1090 - 1193)

Supreme Court Reporters
EDMONTON, ALBERTA

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I N D E X

VOLUME XI

SEPTEMBER 25, 1973

WITNESSES:

NEIL J. DUNCAN (Recalled)

Examination by Mr. Stevenson 1090
Examination by Mr. Ingle 1093
Examination by Mr. Sabey 1106
Examination by Mr. Patching 1116
Examination by Mr. Crump 1123
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CHARLES E. RICHARDSON

Examination by Mr. Stevenson 1127
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PROCEEDINGS before the Board of Commissioners at the Law Courts, City of Edmonton, Province of Alberta, commencing at 9:30 A.M., Tuesday, September 25, A.D. 1973.

MR. CRUMP: Mr. Stevenson, will you call the last witness to the stand please?

MR. STEVENSON: Mr. Duncan.

NEIL DUNCAN, recalled to the stand, further examined by Mr. Stevenson:

MR. CRUMP: Mr. Duncan, do you recall that you are still under oath?

A I do, sir.

Q MR. STEVENSON: Mr. Duncan, are you able to tell us the present situation with respect to the No. 2 mine operations insofar as the roof conditions are and as are reported by your inspectors, are there any continuing problems in that regard?

A The problems in the No. 2 mine have been solved by permission being given by the Board, by the Acting Director of Mines, that the cap rock can be brought down using the continuous miner. As I mentioned yesterday, the cap rock in this mine is somewhat thinner than in the No. 5 mine, something in the order of twelve inches where it is encountered and this is now brought down by machine and thereafter, the normal rock bolting, roof bolting process is carried out.

Q Are there any problems of a serious nature now being reported

Q (continued) in the underground operations at the Smoky River coal fields?

A There are problems in that the workings are now at a fair depth under the mountain and are a fair distance in from the adit and there has been considerable pressure on the actual coal pillars which has been making continued advance of the roadways difficult. This is the development stage when the actual rooms are forming the pillars and permission was given by the Board about one month ago that McIntyre would be permitted to stop advancing and start a retreating system before problems really started to simulate the conditions known in No. 5. So the position at the mine, I understand now, is that they have used this Board's agreement and are now taking out the pillars formed by the rooms.

Q This is in No. 2?

A This is in No. 2.

Q The Board has undertaken a study on behalf of the Province with respect to coal inventory and coal resources and future prospects, is that correct?

A This is right.

Q And that study is not complete?

A The study is complete, the report writing is underway at the moment.

Q And you took some part in that?

A I did indeed, myself and the senior economist of the Board, Mr. Mink, we visited every mine in the Province including the mining operations in the Town of Grande Cache and these

A (continued) visits augmented the information received at the Board's hearing in Calgary when industry and other interested parties gave an input to the Board on the economic impact of the coal industry on the Province of Alberta. So that study is complete and the report writing is in process, we hope it will be issued perhaps in late October or early November.

Q Can you comment on the economic prospects for metallurgical coal?

A These, at the moment, are good. There is an increasing demand for this type of coal in that the, I understand the current demand for coal is - sorry - the current demand for steel is about twenty percent higher at this time than it was a year ago at this time, and so I would say that those people, those countries that produce this high grade metallurgical coal are getting in a situation of being in a seller's market rather than the buyer's market which has pertained in the last couple of years. So I would say in answer to your question that the prospects are good for the metallurgical coal producer.

Q Do you see any, within the next few years, up to the next ten years, any major technological changes or technological developments that would be of value in the mining of steep pitch deposits?

A There are techniques practiced in Europe and there has been a team from the Federal Department of Energy, Mines and Resources from the Mines Research Centre in Calgary, have

A (continued) spent some time in France and also in Germany and other places of the world studying steep seam and thick seam mining.

Q Is that - would Dr. Baron be involved in that?

A Yes, Dr. Ken Baron is involved in this, and I understand that their report is currently being prepared. A small part of it has already been issued and of course when it is issued, I have no doubt that the western Canadian mining industry will be looking very carefully at the report and examining the report in relationship to their own reserves and the type of reserves that they have.

MR. STEVENSON: Those are all the questions I have, Mr. Chairman.

MR. CRUMP: Thank you. Mr. Stevenson, I think we will change the order somewhat here. Mr. Ingle, would you proceed with your questions to the witness?

MR. INGLE EXAMINES THE WITNESS:

Q Mr. Duncan, you gave evidence yesterday about your Board's requirements with respect to rock bolting?

A Yes, indeed.

Q And I understood you to say that the maximum width of the drifts or roadways was eighteen feet?

A The maximum width is set by the mine management. They submit to the Board, under the Act and regulations, their proposals to mine and support a particular working. In this particular case, I believe the application was for eighteen feet.

Q I see.

A And if it was so, then the Board, I know in this case agreed to the predetermined width.

Q So that that width would vary from mine to mine and so on?

A Exactly, yes.

Q Depending on conditions?

A The figures in McIntyre I believe have ranged between sixteen and eighteen feet on permission, rather on the submissions given by the management to the Board. The Board do not draw any specific regulations, the mine manager's duty is to submit his proposal. After all, he is a qualified mining engineer, and we on the Board then endorse or otherwise indicate that a different method should be required.

Q Having regard to the rock and other conditions ---

A --- this is correct, yes. This of course is an on going process. As the mine develops, obviously the mine manager watches carefully his initial support system and of course would amend this, hopefully would amend this and submit the amendment to us if conditions changed.

Q And then I understand that the mining phase advances some twenty feet before rock bolting is undertaken in the new section of the roadway or drift?

A This is correct.

Q And then work is stopped there, rock bolting is undertaken so that there is no more than a maximum of twenty feet at any time that is unsupported?

A This is the normal practice in the McIntyre mine, yes. I should mention here that it is also practice that roof

A (continued) supports are put in of the goal post nature that I described yesterday, during bolting operations. In other words, to protect the men who are roof bolting in this area, a bar or beam is put across the road, and this is usually supported by hydraulically operated steel props.

Q I see.

A Which can be very rapidly set, the setting time is something in the order of half a minute, and these are pressured to about seven ton setting load under the bar, so this gives an immediate support in the area in which the men, the roof bolters are going to be operating.

Q Yes. The - at the junctions where there are cross cuts, I am not sure if that is the correct term ---

A --- junction, intersection, yes, that is perfectly correct, yes.

Q Because of the turning required?

A Yes.

Q That eighteen feet is in some cases very considerably more than exceeded?

A Yes. Obviously the width of the intersection mathematically is considerably wider. No special dispensation is normally given to the eighteen feet width but on the other hand, you know, if it is a ninety degree intersection or a square intersection, there should be sufficient turning room on eighteen feet on each of these galleries to allow the shuttle car to move from one entry to the other.

Q Are you aware, Mr. Duncan, of the fatalities which have occurred in the last, well, in the last year, at this mine?

A I'm aware of them but not of the details.

Q And, well, are you aware that at least one of those deaths occurred at a junction?

A No, I wasn't aware of this.

Q I see. I'm informed that that is the case. And I was wondering, in light of the fatalities and accidents which have occurred at the junctions, whether you are satisfied that the support at the junctions that's required, in No. 2 mine particularly, are adequate.

A I have difficulty in answering this. My job as Chief Engineer of the Board is perhaps more the long term planning. I'm not directly responsible for the inspection department. This is the Director of Mine's job. It may be interesting to know that Mr. Fowers, a professional engineer, is manager of the department, and reporting to him is myself, as Chief Engineer, and the Director of Mines, and so the day by day operating of all mines in the province is reported by the inspectors to the Director of Mines and then to Mr. Fowers.

Q I see.

A If there's any engineering problem occurs, this would then be routed by Mr. Fowers to myself and my staff, but the problem hasn't been referred to me personally.

Q Well, could you give us your opinion, Mr. Duncan, as to whether or not at junctions timbering might be required or might be, might afford better protection than rock bolting, in view of the greater spans involved?

A Yes, there are conditions when timbering could be advisable there. There is only one problem which has existed, in my experience, since the 1940, late 1940's, when I witnessed this type of mining in the Ukraine, the fatality, is that: a driver making a slight error and striking one of these uprights could cause the beam which the upright holds to collapse on him. So there are also problems, if the beams and bars are not tightly set, that they could be knocked out by the, a slight error in judgment at turning. You will appreciate that the driver is working in a fairly dark conditions and it requires a good deal of experience and judgment in a shuttle car operator. And so I would say that if it's possible to adequately support a junction with roof bolts, then this is certainly preferable to the goal post type.

Q Because of the danger of these supports being knocked out?

A This is correct. If I may add a little bit here. I only, I indicated that the goal post type of support would normally only be installed if there had been a situation of bed separation. Obviously the chances of bed separation at a junction are greater at an intersection --

Q Yes.

A -- than they would be in a normal straight length of roadway, because you have a greater diagonal expanse of exposed roadway.

Q Right.

A Your beam is longer from the pillars on a diagonal.

Q Yes. And am I right also in thinking, Mr. Duncan, that where, you correct me if I'm using the wrong terminology, rooms are cut from the drift on either side to the maximum depth of 20

Q (Continued) feet before roof support is indicated, --

A Yes.

Q -- that there could be and very often is a width of some 60 feet or 54 feet, with unsupported roof?

A There could be widths of this. Without pulling my slide rule out of my pocket, I think you could be talking of this sort of width. There is no reason why a properly designed roof bolt system couldn't adequately support that particular span.

Q It would be better supported though or would give better warning if there were timbering required at such locations?

A I would have to look at a specific instance, I would have to be told the actual nature of the strata and the strength of the coal pillar before I could make any generality. I think generalities can be rather misleading.

Q You mentioned the danger of beams being taken out by machinery.

A Yes.

Q I understand that this is a danger insofar as breakers are concerned, that in mining, the operator of the machine may very often take out the breakers and, leaving inadequate support.

A I do not know the in-detail operations you're talking about.

Q All right, okay.

A I'm sorry I can't be more helpful. I can only talk in generalities.

Q The rock bolts that are used, you've explained yesterday their purpose. Do you agree that rock bolts should never be used to support loose?

A This is correct. If there is severe bed separation there

A (Continued) should be some alternative method of support, yes.

Q Well, should loose or bed separation ever be supported by any means or should it not be scaled down, taken down in some way?

A There are two alternatives. One would be to put an adequate goal post system in; if there weren't any severe breaks, if it was merely a question of a sitting down action because of pillar crush, then goal posting would be enough. If it became a very serious break which could be, not be held by the goal post type, then it would or should be brought down, a term in this province called brushing.

Q Brushing.

A Brushing, yes. B-r-u-s-h-i-n-g.

Q Does your Department or your Board have any particular requirements so far as scaling is concerned and testing with scaling bars?

A The regulations do not specifically say how the job shall be done. In the province we have a system of giving a certificate to a miner when the District Inspector of Mines and two people who are on a small board with him are satisfied that the man is competent to do the job, and we feel that by certification of mine management, mine examiners and the miner himself that we do not need to spell out how he does his job. We would anticipate that if there was a dangerous roof the miner or under the instruction of the mine examiner would in fact scale down where required.

Q There is no particular requirement for regular testing with a

Q (Continued) scaling bar --

A No.

Q -- a working area?

A Indeed no. The responsibility under the law is a general one, of ensuring the safe support of the roof, and needless to say this would be to the manager's support rules submitted to the Board, to conform with.

Q I wonder if I might turn to something else, Mr. Duncan. You've referred to the study undertaken on coal resources. Did I understand you to say that that study was not yet released?

A It is not exactly the coal resources, it's more --

Q Energy resources?

A -- pertaining to the economic impact of the coal industry on the Province of Alberta.

Q I see.

A We've not specifically looked at the resources, we've perhaps more looked at the human resources and the effect on the people of Alberta of the coal industry.

Q Was it your Board which released a study of energy resources in March or April of this year?

A The word reserve would be more accurate, if I may correct you. Yes, we did issue one showing the reserves of coal in the province.

Q And were any recommendations made so far as coal was concerned in the use of coal in future in that particular --

A Not in the reserve report. The reserves report was purely --

MR. CRUMP: Perhaps it would be necessary to go a

MR.CRUMP: (Continued) little slower and speak a little louder for the benefit of the Court Reporter.

A I'm sorry. The reserves report made no recommendations. This was our geological engineers opinions of the remaining recoverable reserves in the province. We did turn out one other report, which was a report on the generation of thermo electricity, a choice of fuel for the generation of electricity in the province, and our Board recommended to the Government that coal should be the means of firing the future thermo generating stations for electricity. These were the two reports.

Q Yes, that's what I was coming to. It was the second one that I had in mind, and you've answered one of the questions I was going to ask, that thermo, future thermo power in the province be produced through the use of coal rather than natural gas.

A This is correct.

Q Have you any indication of whether or not that recommendation has been accepted?

A I believe -- this has been, of course, transmitted to Government. I understand that the Electricity Utility Planning Council will be making a decision, I believe by the end of this year, on the situation and the type of the next thermo generating plant, and I would anticipate that the Government may give some guidelines to these people on the choice, but I do not know what the Cabinet have done with our report to them.

Q No. Of course, this is for coal suitable for use in thermo

Q (Continued) plants --

A Indeed.

Q My question was that, whether you can say anything about the effect of your recommendation, if it's implemented, on demand for coal at Grande Cache.

A Yes. If there is an increase in the middlings product the generating station at Grande Cache could be doubled in its output capacity, in other words could burn twice the amount of middlings coal which it is currently able to consume.

Q Well, that could be done anyway, can it not, Mr. Duncan, whether your recommendation vis-a-vis natural gas was carried out.

A Indeed, yes.

Q But if the proportion of thermo power generated in the province by the use of coal was increased, --

A Yes.

Q -- would that not have a substantial effect on the coal requirements from areas like Grande Cache, or is there a limitation there because of the nature of the coal produced at Grande Cache?

A The limitation at Grande Cache on the availability of middlings is dependent on two things: one is the total production or the total through-put of the plant, depending on the output from the mines, and the second, of course, is the actual amount of these middlings which are present in the raw coal, and the present plant has been designed on the 2 million tons a year output of clean metallurgical coal for which the mine was originally planned and approved by the Board's predecessors.

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N. Duncan - Ingle Ex.

A (Continued) and with knowledge of the type of coal going in calculations were made that the I believe 75 megawatt set could be kept operating by the production of middlings as a by-product from 2 million tons, long tons, of clean metallurgical coal.

Q In the studies that your Board has undertaken, do you know whether any examination has been made of alternative methods of transmitting the coal, shipping the coal?

A Yes. We have examined the methods available. We are currently studying proposals from a mining company for the use of a slurry pipeline in the province.

Q A what?

A Slurry.

Q Slurry, yes?

A This is coal and water slurry pipeline. And this idea was given to us as part of our Hearing on the economic impact of the coal industry on the economy of the province. So this is an alternative method of moving coal, which is being considered in the province at the moment.

Q I see. And no conclusions have been reached?

A Not as yet.

Q I understand that Interprovincial Pipeline have made a proposal and have indeed done some studies on slurry involving not water, but oil?

A This is correct.

Q And is that under study also by the Board?

A Not by the Board. The position there would be that when such a proposal were finalized by the company or companies concerned, as far as the pipeline in Alberta was concerned, this would be put forward as a proposal to our Board, and would be considered as an application.

Q I see. And you have had no such application at all from

Q (continued) Interprovincial Pipeline?

A To my knowledge there has been no application received by the Board.

Q If that proposal, indeed either one, the use of a slurry with either water or oil proved to be a feasible thing, this would increase very substantially the market for Grande Cache coal, would it not?

A No, I don't think it would change the market for Grande Cache coal at all. The CN Rail have indicated that there is adequate capacity on the rail line between Grande Cache and Vancouver to carry the present production and any increased production in the future. I would say that no consideration, in my opinion, would be given to a slurry pipeline from Grande Cache to the Coast.

Q I wasn't thinking of that, Mr. Duncan, I was thinking of the possibility of selling metallurgical coal to the steel mills in Eastern Canada and the United States.

A I understand that of the current economics a slurry pipeline would not be economical. The only reason, I believe, that the people and the steel makers in Eastern Canada would use this is if the supply of coking coal from the USA, which presently totals about 7 million tons a year, were to become in short supply. But the feasibility, obviously, is being studied of using the oil slurry pipeline you described, both for taking the bituminous coal to Ontario for the use in thermo generation of power, and also in carrying metallurgical coal on a switch-about basis. There would be obviously

A (continued) problems of how many days one transmitted each, but this is all part, I understand, of the feasibility study.

MR. INGLE: All right. Thank you very much.

MR. CRUMP: Mr. Sabey.

MR. SABEY: Thank you, Mr. Chairman.

MR. SABEY EXAMINES THE WITNESS:

Q Mr. Duncan, you have talked somewhat about the various widths in the crosscuts or the passageways, you have talked about the needs for supports for the timbering; I presume that your inspector checks all of this each time he comes into the mine?

A Each visit the roadways travelled by the inspector are closely looked at for all mining hazards, including the supports.

Q And your inspector goes through these mines on a regular basis?

A Yes. The period of visits is normally between one and three months, and it can be much more frequent if there are any problems that arise.

Q Now, Mr. Duncan, I don't want to be unfair about this, but you have said that in your view the economic outlook is good for metalurgical coal; now, is it fair for me to ask you if that is a private opinion or is that one that is going to be contained in this report that is forthcoming? I presume you're one of the draftsmen of that report?

A Yes. The report is more based on the effect that any increase might have. We will not be giving any indication of whether we feel there would be an increase in such a market. What we are saying in the report, or will hopefully say, is that if there is an increase this is what the economic impact will be.

Q All right. Now, Mr. Duncan, yesterday you read to us certain selected parts of an internal memorandum of the Board's from a man who is not available to this Commission; I presume a copy of that was not given to McIntyre Porcupine, the owner of the mine dealt with in the report? That is Exhibit 34.

A That report you're talking about was written internally about the same time as an official letter was sent to McIntyre.

Q A copy did not go to McIntyre?

A A copy did not go to McIntyre; I do believe a copy did go to someone in the Industrial Relations --

Q Yes. The document so indicates.

A Yes, someone in one of the Labour Departments, I believe.

Q Now, sir, in the reading the selected parts you referred to a part about ventilation, and passed over it saying, "I shouldn't read this". I would just like to read that sentence, and I quote:

> "Ventilation was good and kept up in the working places, although this may have been attributable to the idleness."

Is there any particular reason for not reading that particular --

A Not at all, except I didn't think it was pertinent to the discussion on roof support.

Q Now, you also referred to a paragraph in that report in which Mr. Kubin gave an opinion that the condition of the mine didn't appear to happen in a matter of a few weeks. I would like to clear this up once and for all; as I understand the situation

Q (continued) that Mr. Kubin came into, was basically this: a mine employee had been disciplined for a negligent act of unauthorized entry and causing a power outage through his lunch pail, are you aware of that?

A I am aware of this.

Q And the Union thought he was to be dismissed and demanded reinstatement or that they would walk out, which the company then refused?

A I am aware of that.

Q And the Union then raised these safety conditions?

A I believe this was the order of events, yes.

Q Now, I just want to again -- your Board has an inspector go out on a regular basis?

A Indeed, yes.

Q And in this case that was Mr. Shaw?

A Yes.

Q Now, I presume that the men in the mine are entitled to rely on your inspectors?

A Our mine inspector is available from communication from any one in the mine, be it management or miner.

Q So similarly the company is entitled to rely on the decision of your Board as reflected through that mine inspector?

A Yes.

Q And your inspector had been inspecting both No. 5 and No. 2 mines regularly before October of '72?

A Yes.

Q And your inspector was authorized through your Board to order compliance or changes or a shut-down?

A Yes.

Q And your inspector had not done so prior to October of 1972?

A The inspector had reported to the management the condition of the roadways.

Q Right.

A Two examples, one on the 14th of September, which I perhaps could read very briefly to you --

Q Well, my question, Mr. Duncan, --

A Oh, sorry.

Q -- is was there an order for shut-down prior to this one that came?

A There was no order for shut-down.

Q I see. There would be orders for correction of things that he noticed?

A Yes.

Q And presumable those were complied with?

A We assume that the management then comply with an order from the inspectorate; the purpose of his follow-up visit, normally a month later, he would specifically look at the points reported to management on the previous visit.

Q Quite.

A And if no action had been taken during that period, normally an inspector, if it is very serious, would give a definite period in which remedial action should be taken, and then,

A (continued) of course, he would then take further action.

Q I see. And that further action never occurred prior to this October 31st letter?

A Indeed not.

Q Now, after the walkout your inspector made a further special inspection, that is Mr. Shaw?

A Yes.

Q Of these mines?

A Yes.

Q And found them to be safe?

A His report that I have here is actually one day before the reported day of the walkout.

Q I see.

A We were told officially that the walkout took place on the 13th of October --

Q I see.

A -- and his report is dated the 12th of October.

Q All right. So in any event his report was the day before the walkout, but in this situation?

A In this situation, yes.

Q And am I correct in saying in summary, that he said that the mine was safe, and it didn't need to be shut down -- I am talking about No. 5 mine?

A Yes. He did not recommend to the Board that the mine be shut down, that is correct.

Q Now, the Union refused to accept the inspector's decision, and so you sent in Mr. Kubin?

A The Board directed Mr. Kubin, yes, to make an inspection.

Q And these were the circumstances that Mr. Kubin found himself in when he went out there?

A Indeed, yes.

Q Now, you talked very briefly about Exhibit 33 yesterday, and it was referred to as a stop work order, but then you qualified that, and I would just like to understand if this is not a stop work order, what it is?

A Work had already stopped, and Mr. Kubin -- you will appreciate that when work stops at any mine conditions can then deteriorate very rapidly, even with short stoppage, this is one of the real problems of a two-week holiday, for example, in the mining industry, this creates real problems. I think, if I may, for a few moments explain that the movement of rock in a mine is a very continuing and ongoing thing, and that any period of stoppage creates further problems in that the repair work isn't being done, etc., and that the roof continues to move, and very rapid changes can take place in room and pillar mining. In fact there is a case recorded in Coalbrook where the whole area collapsed very, very suddenly, with a sudden deterioration of it. Other conditions have been that there have been almost a daily deterioration. Our inspector, our Director of Mines went into these conditions where the work was stopped and decided that the work should not be resumed. Now, I would anticipate that if he had been asked to make this inspection during operations he would not have stopped the mine. He would have directed the management to take steps to

A (continued) rectify this. It might have meant a considerable reduction in production, but I doubt whether he would have stopped the mine.

Q Now, when you say the mine, you are referring, of course, --

A I am talking about No. 5 mine.

Q -- to No. 5 mine?

A Yes.

Q Because in point of fact even this order to continue the cessation did not apply to No. 2?

A It didn't apply to No. 2, no.

Q Even in the circumstances that the supervisor found?

A This is right. He found that No. 2 was in the condition that when the labour problems were solved that that mine could resume.

Q So you anticipate that had the mine been going the situation was not sufficiently grave for him to order a complete shut-down?

A That's right.

Q Now, it is your evidence, I believe, Mr. Duncan, that upon receipt of Exhibit 33, which was the letter directed to McIntyre, that McIntyre proceeded with despatch to do everything required by the Board; I think, indeed, you said the entire staff of the No. 5 mine were put onto the repair work.

A I said yesterday they were put onto repair work and other necessary maintenance work.

Q Yes. One interesting thing, going back to Mr. Kubin's internal report, I notice he says in the third paragraph, it

Q (continued) is underlined --

A I don't have it, it was removed yesterday as one of your exhibits.

Q Oh. Well, if you will take my reading of it, and lawyers are notoriously poor readers, but he says:

"All areas of this mine where men worked or travelled were inspected."

A Yes.

Q Now, would that mean that he would go clear to the faces, all the faces?

A He would go to each of the working faces, yes.

Q Well, I am curious simply because there is prior evidence by one of the union men who went with him who said, and I quote at page 205:

> "Yes, we asked for the Mines Inspector, the Alberta Mines Inspector, the head inspector to come in and inspect the place and as soon as ever he saw No. 5 mine, he didn't go very far inside the mine at all, he decleared it unsafe to work."

Now, can you explain the apparent discrepancy there to me?

A Not really. I would anticipate that the Acting Director of Mines must of realized that that part of the mine that he was inspecting was sufficiently, had deteriorated sufficiently, in his opinion, to, that this had to be repaired before he went further. I was not aware that he had not investigated each place.

Q Well, indeed he says he did in his letter ---

A --- he does indeed, and I am sorry I can't explain it.

Q It would be unfair of me to ask you to explain it. Let me just turn to the closure of the No. 5 mine. I understand that your evidence is that the Board set conditions for the closure?

A Yes.

Q The Board approved of the plan of abandonment?

A Yes.

Q And McIntyre Porcupine has closed that mine in a manner acceptable to the Board?

A Yes.

Q Now I noted yesterday you gave an opinion that you would never extract coal from the working area in that No. 5 mine?

A I don't think I said I would never. It would be technically difficult, extremely difficult and virtually impossible, in my opinion, to go back into that working area as Mr. Stevenson put it, and extract coal.

Q Yes. Does that mean that you would not have pillared back as you retreated from the mine?

A No, no. What I am trying to say is that if in certain periods of time economics look as if we could put up with these difficult conditions by goal posting continuously, what I am saying is that in my opinion conditions would have deteriorated so badly in the so-called working area that re-entry for the purposes of production would not be, I believe, either safe or economically possible. It would be possible to drive through the working area to reach the reserved beyond.

Q Now that is the very point. You feel that you might still, in the future, be able to go back to the reserves beyond the present or the past working area, you could not have done that had you pillared out?

A Not through that particular area, no. Well, I say this, that

A (continued) the method of extraction of the pillars normally stops within a certain predetermined distance of the main arteries of the mine. So that if McIntyre's long term proposals were to work beyond the present working area ---

Q --- yes ---

A --- in my opinion, they would not have withdrawn the pillars close to these main arteries.

MR. SABEY: Thank you very much.

MR. CRUMP: Mr. Patching, have you any questions of the witness?

MR. PATCHING: Yes, I have a few that perhaps you can clear up.

MR. PATCHING EXAMINES THE WITNESS:

Q Referring to the question about the closure of No. 2 or of No. 5 mine, do I understand that the miners also refused to go into No. 2 mine at that time?

A I am not clear exactly what was discussed between the management and union at the time as to where the men were going to go and what. We were asked to make an inspection of both mines, and in the case of No. 5, Mr. Kubin considered that work should not resume until roof conditions had been made better. He did allow resumption of work in No. 2 mine on conditions that the practice of removing the cap rock stopped.

Following that, there was a letter of appeal sent by the manager of No. 2 mine saying that in their opinion it was safer, and this was the opinion of the Safety

A (continued) Committee as well, it was safer to bring this cap rock down despite the fact that incendiary sparks could be brought out by cutting rock with a tungsten carbide tip bit but this was safer than allowing the cap rock to stay on or attempting to keep it up.

So he allowed resumption in No. 2 on condition that they ceased to cut the roof and the owner successfully appealed this in that we allowed them to cut this roof provided that more adequate ventilation was provided and that dust suppression and flame suppression was provided, and this I understand is the practice at this moment, that where necessary the cap rock is brought down by the cutter.

Q Well, the question I was asking was whether there was a stoppage in No. 2 as well as in No. 5 mine?

A I understand that both underground operations were stopped because of the labour dispute.

Q But the safety in No. 2 was not challenged at that point?

A This is correct.

Q Is that correct?

A Yes.

Q And that then the recommendation of Kubin has been changed regarding the taking down of the cap rock?

A Yes.

Q Now in the opinion of the Board, does responsibiiity for the safety of the mine ultimately rest with the management or with the inspector, who is ultimately responsible?

A The prime responsibility rather than ultimate, the prime

A (continued) responsibility is the mine management. They are responsible for drawing up the support plan for the mine, this is the responsibility of the mine manager. It is also the responsibility of the mine manager or mine management to insure that these support plan is understood by and adhered to by the men in the mine, this is the officials and the workmen.

Q Now can you tell me just how often again the inspector normally inspects these mines?

A Frequency, is normally between one month and three months.

Q Is that all they are able to do, conditions can change a great deal even in the period of one week or so?

A Yes. If it is a change of roof conditions and a new support plan must be drawn up to meet these changing conditions, the mine inspector would be automatically by law informed of the change by the manager, and he would then make a decision as to whether he should go out and discuss the matter and inspect these change of conditions.

So this monthly period is on the assumption that conditions do not change, but the onus is on the mine manager to report any conditions in the mine which could lead to a hazard.

Q Now after a support plan has been submitted and approved, is the management allowed to change this support plan if conditions develop?

A Yes.

Q At the face that required change?

A Yes.

Q Say the change in the direction of fractures?

A Indeed. The decision can be made - the support plan shows the minimum support under normal conditions. The management, and in this I include the examiner, should make changes as required. As I mentioned earlier, each of these people is certificated by the Board as being competent and knowledgeable in their job, and they would make a decision in the mine to make any change, any tightening up or increasing of intensity without any consultation of the Board, the onus is on them to make the roof safe under the Act.

Q The intention is that they can increase the support?

A Yes.

Q Or they can change the arrangement, as long as they do not let the minimum requirements be exceeded?

A That is correct.

Q And is there any stipulation as to the frequency of inspection of working places by the mine staff themselves, the fire bosses, the overmen, the manager?

A Yes, there are, I don't know the exact details but it, there should be an inspection, a pre-shift inspection made by an examiner prior to men entering a working place.

Q This is all working places?

A Working places. There is a certain frequency, as I explained earlier on, I am not on the inspector's staff, I don't keep on the day to day laws, but I understand there is also a frequency of inspecting the travelling ways. I could be wrong

A (continued) but I believe it is weekly.

Q This would be by the senior officials?

A This would be by the examiner or the management.

Q Is there an obligation on the part of the pit boss or overman to inspect each working place at any given period?

A Yes, there is a frequency. I understand that it is four hours but perhaps Mr. Ashacker could advise me?

It is the custom that the examiner examines each place before an afternoon and the overman makes an inspection once per day, once per shift and as often as required.

Q And there is no responsibility on the mine manager, the holder of a first class certificate to make inspections at any given frequency?

A The onus on the mine manager is that he shall be in daily attendance at the mine, I think are the actual words of the law. I apologize for my lack of knowledge of the present law, I am the architect of the new Coal Mine Safety Act and Regulations and I do tend to live with the new one rather than the old one, so I apologize, Professor, for inadequacies in answering the present law.

Q I was going to ask you that, what is the status of the new regulations, are they drawn up yet, are they approved, are they proclaimed?

A The new Act has been circulated by the Board to all interested parties. Meetings have been held by the Board member, Dr. Berkowitz, Mr. Fowers, manager of the Coal Department and

A (continued) our solicitor, Mr. McLeod. These meetings have been taking place with the Coal Operators Association of Canada, the Alberta members, and also with the Alberta Federation of Labour. Both of these parties have made certain recommendations on the draft Act to the Board and these are currently being considered by the Board for inclusion in our Act, which hopefully will be put before the Legislature this fall.

Q Now there is one other matter that I wonder if you can help us on. Does the inspector have any reports on file about the conditions in the mine during the time when longwall operations were in progress?

A Yes, there are reports on file.

Q And was there any change in safety conditions after longwalling was discontinued, was this a move that improved the safety in any significant amount?

A I would say that the development of the mine to suit longwall was not advantageous to good roof control when it was reverted to roof and pillar. The whole mine had been laid out in a number of panels for a rapidly moving longwall face. When longwall mining was abandoned, then the mine layout which was suitable for longwall mining was not particularly suitable for good roof control of room and pillar work. Quite simply, you have extended your roads to a considerably more degree than you would in a normal room and pillar layout.

Q Weren't safety conditions considered satisfactory during the time when they were longwalling?

A I have not studied these reports recently in detail. They were made prior to the Board taking over the Department of Mines. They are in our files but I have not studied them.

MR. PATCHING: That is all the questions I have, thank you very much.

MR. CRUMP: Mr. Graham, have you any questions?

MR. GRAHAM: No, I have no questions. I think the witness has been very interesting and has clarified a lot of thoughts in my own mind.

MR. CRUMP: Well, perhaps just a word, Mr. Duncan, in a field that is directly yours, engineering, and which was raised by Mr. Ingle, as I understand it in the pipelining of coal, there is no engineering difficulty, it is largely a matter of economics, that you must have very large quanitites in order to make such a line economical and a new difficulty has risen, certainly if you used a water slurry of getting by the Environmental Department as to water supply and what you do with it after reconstitution so that in my opinion, I would like confirmation of this from you if you feel the same way and yet anyway, there is no difficulty, it is a matter of economics?

A To answer the first part of your question is, you did say that it was dependent on very large volume. It also, obviously, depends on the value of the coal in the pipeline. If we are sending metallurgical coal into the pipeline, the value of that coal at the delivered end is something in the order of about $30.00 to $35.00 a ton by the recipient. If the coal

A (continued) is being used thermally at the other end and has a high B.T.U. content, for example twelve thousand B.T.U. content that coal is still only worth at the other end some four or $5.00. So obviously the economics of this pipeline very much depends on what is going through and as the previous questioner has indicated, it is possible that the economics could be good if there was some way of putting both of these through, this would be either passing coking coal for a certain number of days, then thermal coal or putting it into slugs of a different colour if you like, but no, the, you are right, it does require a large volume. Ontario, at the moment, uses seventeen million tons of coal a year and that is a very large volume.

MR. CRUMP: But then to transmit to Ontario is twice as far as tramsitting to the West Coast?

A Yes, indeed, this is right and at the moment we are told by the railway companies that they can not give a rate to the companies via Thunder Bay which would compete with the present coal from the U.S.A., thermal or metallurgical, as delivered to the customer.

MR. CRUMP: Well, that is getting into a, I think into another field, I am speaking largely from an engineering viewpoint and the cost you quoted, let's say $30.00, that is after reconstitution?

A It is not necessary to completely reconstitute either of these. If there is oil with the coking coal, it can be made into coke. If there is oil with the thermal coal it can

A (continued) be burned, so reconstituting an oil slurry mixture delivered to the customer is far easier than reconstituting a water coal slurry.

MR. CRUMP: I realize that. Do you have another question, Mr. Patching?

MR. PATCHING: Yes, I am sorry, I didn't follow through previously. Can you tell us please what agency or agencies now are responsible for setting the terms of the restoration and environmental control for coal mines, does this come under the Board or are there other agencies still involved?

A It comes under two agencies in fact. The Department of the Environment and the Board and to answer the Chairman's earlier question, the proposal for putting a water slurry pipeline in the Province here, the Department of the Environment have indicated that the scheme as outlined by the mining company would appear to be acceptable to them, in that it would create no more disturbance than the present many tens of thousands of miles of oil and gas pipeline in the Province. In other words, a clearing would be made in the forest, the pipeline would be buried over its entire length and then the earth and topsoil replaced and reseeded.

Q Well, I think perhaps you misunderstood me, Mr. Duncan. I didn't mean disturbing the environment by the laying of the pipeline.

A I'm sorry.

Q But by supplying the water.

A I see. Yes, sir.

Q And what do you do with the water and to what degree do you purify it, --

A Yes.

Q -- at the other end, and this is assuming, of course, a water slurry.

A Yes. In this particular case the water is a closed loop. The water is then pumped back to the mine, to collect more coal. It's a closed loop. There's two pipelines laid, and the particular instance in the province is being examined.

Q What length of pipeline would that be?

A The mine are talking about 20 miles in this particular case, sir.

Q Oh, I can understand that, as we know they've been transmitting stone in England for 50 miles for many years. But I'm speaking of the practical pipeline --

A Yes.

Q -- of 800 to 2,000 miles in length. You certainly would not return the water in that case.

A We wouldn't. We only hope we could sell the water to somebody who is rather short of it at the other end.

Q Provided it was sufficiently purified.

A We'll purify it technically. I don't know the cost.

MR. CRUMP: No further questions. Have you some re-examination, Mr. Stevenson?

MR. STEVENSON: Two points.

MR. STEVENSON RE-EXAMINES THE WITNESS:

Q Mr. Duncan, what was in the September 14th, 1972, report of Mr. Shaw's that you referred to?

A The September 14th report reported that:

6th East: -

- which is one of the working districts -

Rib posts to be replaced at junction. Breaks forming in roof on shuttle car run.

4th East: - timbering satisfactory.

1st South: - timbering standards are good.

1st East: - Very poor roof conditions. Bolts alone are not sufficient. Places to be retimbered as well as bolted.

Q And the other thing, Mr. Duncan: in fact when Mr. Kubin inspected in October, he was not satisfied with the method that was being used in No. 2 of bringing down the cap rock?

A That's correct, he was not satisfied.

Q And he considered that the use of, the practice of brushing the roof was unsafe, in his opinion, in No. 2?

A It was unsafe with regard to the danger of igniting methane.

Q That's right. And he forbade that practice?

A Yes.

Q And the appeal permitted that practice, with the concurrence of both the miners and the company, on the basis that certain precautions be taken for ventilation purposes and to prevent

Q (Continued) risk of fire, is that correct?

A Yes.

MR. STEVENSON: That's all, thank you.

MR. CRUMP: Thank you for coming, Mr. Duncan.

A Thank you for having me, sir.

MR. CRUMP: You may stand down.

(Witness retires)

MR. CRUMP: Mr. Stevenson, would you call your next witness please.

MR. STEVENSON: Mr. Richardson, please.

CHARLES E. RICHARDSON, sworn, examined by Mr. Stevenson:

MR. STEVENSON: Gentlemen, McIntyre Porcupine Mines Limited have made a submission to the Commission. For convenience I would like to have that marked now as an exhibit. Mr. Sabey, this is the company's submission. And it would be Exhibit 35. Now Mr. Richardson is not the author of that submission and I gather that in fact the person on behalf of the company who will speak to it is Mr. Fulton, who is a later witness.

MR. CRUMP: Thank you.

SUBMISSION FROM McINTYRE PORCUPINE MINES LIMITED MARKED EXHIBIT 35.

Q MR. STEVENSON: Mr. Richardson, I understand you became president of McIntyre Coal Mines Limited in 1971, is that correct?

A That is correct.

Q And how long did you occupy that position?

A Until March of 1972.

Q 1972?

A 1973, I'm sorry.

Q And I understand that you are now acting as a United States consultant for McIntyre Porcupine Mines Limited?

A That is correct.

Q And I understand also that McIntyre Coal Mines Limited was incorporated to carry on coal operations but in fact those operations have always been conducted by McIntyre Porcupine Mines Limited?

A That is correct.

Q And the coal operations as a division of the company?

A That's right.

Q So your work was in effect, every time you were with McIntyre Coal Mines Limited, your work was actually in carrying out the operations of the coal division of McIntyre Porcupine Mines Limited?

A That is right.

Q Now Mr. Richardson, would you tell the Commission what your background in the coal industry was prior to coming to the McIntyre Company here.

A I am not a graduate mining engineer, nor do I have a degree from a college or a university. After completing high school I began to work immediately in the coal mines in the United States and proceeded to further my education by taking a four year mining course with the Pennsylvania State University Extension Branch in Mining, and a three year course in Mining Engineering with the International Correspondence Schools.

A (Continued) For the first five years of my career I worked at practically every labouring position in the coal mines. After this five year period I was eligible to sit for certification, which I proceeded to do, and I am certified as a mine examiner, as a mine foreman and as a mine manager in the United States.

I have worked in the mines for thirty-nine, in and about the mines for a period of thirty-nine years, and all but five of these years have been in a supervisory or executive capacity. I have had and done practically every supervisory job in and about the mines, starting as a mine examiner, a foreman, a superintendent, general superintendent, general manager, vice-president, and finally a president and chief executive officer of a company.

Q Immediately before coming to McIntyre Porcupine's operation you were with the Iron Creek Coal Company, is that correct?

A That is correct.

Q In what capacity?

A President of the northern division.

Q Have you had experience in longwall operations?

A No, I have not.

Q Or in hydraulic mining?

A No, I have not.

Q Now, when is the first time you actually became familiar with the operations of McIntyre Porcupine in the Grande Cache area?

A I made a visit to the Grande Cache area with Mr. Fulton in the month of September of 1971.

Q And when did you take over the position?

A In the month of October, about October the 17th.

Q You were actually resident in Grande Cache?

A Yes.

Q And was there a mine manager there when you came on the site?

A Yes, Mr. William Murray.

Q And when did he leave the company?

A Mr. Murray left the company in February the 5th I believe, 1973.

Q What generally was your responsibility to be at Grande Cache?

A Well, my responsibilities as president of the subsidiary company was to operate and oversee the mines at Smoky River and the strip job at Smoky River,the portion of the Town that was under McIntyre's wing, the SRI, --

Q Smoky River Investments.

A Smoky River Investments. -- the transportation and scheduling of coal to the Coast, the transportation and scheduling of coal to our customers in Japan, and the part of the operation of Neptune Coal Terminals in which we were interested and which was the coal portion of the terminal. I was to see that we made every effort to fulfill all our contracts with whomever we had them, the Procor Car Arrangements, the contracts with the CN Railway for transportation of coal, and the contracts and agreements with the Alberta Power Company.

Q Now Mr. Richardson, when you took over this responsibility you were aware of the commitment under the long term contract to the Japanese?

A Yes.

Q And at the time you took over was there some instruction given to you or some consideration given to you about changing the terms of that contract insofar as its duration was involved?

A Not immediately, no, one of my first tasks was to internally prepare a long range or a 15 year mining plan, to satisfy the current contract.

Q Did you prepare such a plan?

A Yes.

Q On what operations was it based?

A It was based on the operation of mines No. 2, No. 5, No. 8, No. 1, No. 3, and No. 14, and the ReiffTerrace.

Q ReiffTerrace is an adjunct of No. 8?

A Yes.

MR. STEVENSON: Would this be a convenient point to take the morning adjournment, sir?

MR. CRUMP: Yes, if you desire. We'll adjourn for twenty minutes.

(Hearing adjourned)

(The Hearing resumes.)

CHARLES E. RICHARDSON, recalled under his former oath, examined by Mr. Stevenson:

Q All right, Mr. Richardson, when you were on the site in October of 1971, the operations that were then being carried out were 2 underground, 5 underground and No. 8 strip?

A That is correct.

Q And you told me that your plans -- you told me that the other mines that you were considering in your 15-year plan were 1, 3 and --

A No. 1, the Reiff Terrace, and the No. 3 and No. 14.

Q Yes. Now, during the term that you were there what was done with respect to the proposed development of No. 1?

A The proposed development of No. 1 was decided to be undertaken by Professor Keenan --

Q K-e-e-n-a-n?

A Yes. Associated with the Colorado School of Mines. Professor Keenan expressed an interest in contracting and subleasing this property from McIntyre Porcupine.

Q Now, did you initiate discussions with Professor Keenan or had they been initiated before you saw him?

A The discussions were initiated by someone else other than myself, however, I was the person with whom Professor Keenan worked when he came to visit the No. 1 area at Grande Cache and the Smoky River Valley.

Q Did Professor Keenan, during your term, enter into any contract or agreement which would give the company assured tonnages?

A No. There was no agreement finalized during my time.

Q Was it proposed that he would enter into some arrangement which would assure the delivery of assured tonnages to the prep plant?

A Yes.

Q But that had not come to be a term --

A It had not been finalized.

Q Had he done any work during your term?

A No, not work on site --

Q Yes, that is what I mean.

A -- he had done homework on financing and soforth, and getting people --

Q And had he given you any of his feasibility studies, or had it been a general discussion?

A Just a general discussion.

Q Now, what about No. 3?

A At No. 3 we were planning on a hydraulic mining method of mining coal, however, we had nothing towards this during my time. We had an internal feasibility study on it done by Krono Golyo.

Q And what had Mr. Golyo reported, Mr. Richardson, as far as you can recall?

A Well, according to his studies hydraulic mining would be possible at No. 3 mine.

Q There was no outside consultant or no extensive feasibility study done of that while you were there?

A No.

Q And do you know what work Mr. Golyo had undertaken in preparing his report or his memorandum?

A Well, it was prepared using his prior knowledge of hydraulic mining which he acquired in Japan.

Q And were you in a position to assign any recoverable reserves to that operation, or had it not got to that point?

A No, we had not gotten to that point.

Q All right. And what were the prospects for No. 14?

A We had the Paul Weir Consulting firm in the United States do a study of the No. 14 area of reserves, mine No. 14 area of reserves.

Q Was that for underground or strip operations?

A That was for an underground operation.

Q And was any plan made for the development of No. 14 while you were there?

A No.

Q And had there been any work done on the No. 14 site during the time that you were there?

A No, just the exploration work that had been done, the feasibility study was completed while I was there.

Q And were there reserves assigned to No. 14?

A Yes.

Q Do you recall what they were?

A Well, there were several seams there, and I think the total reserves were approximately 40 million tons.

Q Recoverable?

A In places.

Q In places?

A Yes.

Q And were there recoverable figures given to you?

A I can't recall the recoverable figures.

Q Did you your yourself consider any plans for the development on No. 9 while you were there?

A Yes.

Q How did that come about?

A Well, initially, and this happened before I arrived, there was an agreement with the Japanese mills on the purchase of No. 9 mine, No. 9 mine coal, and this purchase of coal would be covered by a second agreement, it would not be under the first 15-year term agreement.

Q And what was the status of the second agreement while you were there?

A Well, while I was there this second agreement was dropped by mutual agreement between McIntyre and the Japanese.

Q And was there a firm agreement to commitments or term of delivery?

A No, it was just a tentative --

Q To purchase output from No. 9?

A Yes.

Q And when you arrived on the site did you start any work towards fulfilling that tentative agreement or carrying that tentative agreement forward?

A No.

Q At what point was it decided that the tentative arrangement

Q (continued) should be dropped?

A At what point? Will you clarify that, please?

Q Well, when during the time that you were there was it decided that the No. 9 agreement should be dropped?

A Well, as near as I can recall it was around the month of June in 1972.

Q And why was that decision made, from your point of view?

A The decision was made at that time to drop the No. 9 tentative agreement, mutually, so that McIntyre could concentrate upon ways and means of filling the first contract economically and successfully.

Q And when you --

A That was one reason, and the second reason was that we on further study, both parties felt that it was not economically sound at that time to enter into a long-term agreement on No. 9.

Q From your point of view what was undesirable about the economics of the long-term agreement on No. 9?

A Well, at that time the capital expenditure was very great, the capital expenditure necessary to open this mine on the scale that had been planned was very high.

Q And what kind of scale had been planned or thought of?

A Well, it was a graduated scale of production starting at a million tons and going to 3 million tons per year.

Q For what length of time or over what length of time, Mr. Richardson?

A Let's see -- I am not quite sure about the length of time,

A (continued) however the tonnage under consideration was 47 million tons of coal.

Q And you were satisfied that it wasn't economically feasible to undertake that obligation with respect to No. 9?

A At that time, yes.

Q And was it then decided that No. 9 would be used on the 15-year contract, the initial contract?

A We thought of this, of using No. 9 on the 15-year contract, however we eventually decided to present a 6-year plan to the Japanese customers instead of the 15-year plan, and use No. 9 in the 6-year plan.

Q This was the 6-year plan for the initial contract?

A Yes.

Q And this was a 6-year plan of what tonnages?

A The 2 million tons per year.

Q And did that include No. 9?

A Yes.

Q And was that predicated on some less extensive development of No. 9?

A Yes, very much so, predicated on a production of approximately 8½ million tons of coal from No. 9 during this period of time.

Q And was that predicated on an operation which would leave the remaining reserves in No. 9 to future development?

A Oh, by all means, yes. This amount of production produced from No. 9 would be what would normally be the pre-production area of the pit anyway; it would be the first production of the pit, regardless.

Q Was the 6-year plan actually presented to the Japanese?

A Yes.

Q And you took part in that presentation?

A Yes.

Q And what mines were involved in the 6-year plan?

A We had No. 2, No. 5, No. 8 and No. 9.

Q And when was that presentation first made to the Japanese, do you recall?

A October.

Q Of last year?

A October of last year, 1972.

Q And in the 6-year plan was it anticipated then that both No. 2 and No. 5 would operate for the full 6 years?

A Yes. And, except for this exception, the No. 2 mine, the reserves were not as extensive as the No. 5 mine, and we would switch part of the underground workings from No. 2 mine to the Reiff Terrace during the 6 years.

Q But the Reiff Terrace was a stip mine?

A No, Reiff Terrace is adjacent to the No. 8 strip mine.

Q All right. And this plan was discussed with the Japanese?

A Yes.

Q And was any arrangement or agreement arrived at during the presentation of that?

A No, they took it under consideration.

Q And did that suggestion or that discussion involve reducing the term of the 15-year contract?

A No, this would be a 6-year part of the term of the 15 years.

2-JH-8
C.Richardson - Stevenson Ex.

Q Why a 6-year plan rather than 15 years?

A Well, we felt that it wasn't feasible to intelligently prepare and present a 15-year plan. We felt that we had no fears about being able to mine sufficient coal, but we felt that a 6-year term was a long enough term to give them absolute firm plans.

Q Did the Japanese want absolute firm plans for the whole period?

A Initially they wanted absolute firm plans for the 15 years, yes.

Q And have they ever been given them, as far as you know?

A Yes, we presented a 15-year plan.

Q Based on which mines -- the ones you have told me about earlier?

A That is the original plan that I mentioned.

Q All right. Now, did those discussions continue from October of last year on, the 6-year discussions with the Japanese?

A Yes, we returned to Japan and discussed it again.

Q And were you there prior to January?

A Yes.

Q And were you there in December?

A Yes, I was there in December.

Q And was this also, from your point of view, a further discussion of the 6-year plan?

A Yes, a further discussion of the 6-year plan, and a discussion of the price escalation.

Q And were you then looking for a price escalation?

A Yes.

Q And did the buyers want, indicate to you that they wanted a firm plan for the development of the necessary reserves to meet the contract?

A Oh, yes, they always wanted this.

Q And the 6-year plan was a proposal to go part way in doing this?

A That is correct.

Q Now, these discussions in December of 1972, did they reach any agreement as to a change in the 15-year contract?

A No.

Q Was there any proposal to change the 15-year contract then?

A Not at that time.

Q Had you proposed any change in the 15-year contract other than as to price at that point?

A No, just price and mining plans changing from 15 years to 6 years at the time.

Q Then in January of 19 -- pardon me -- had there been a decision made in the fall of 1972 to go ahead and start some mining of No. 9?

A The fall of '72 -- well, we were doing some internal planning; there were no decisions made at this time.

Q When was a decision made to go ahead with No. 9, or was such a decision made?

A Yes, there was such a decision made in the latter part of 1973.

Q 1973?

A Or, 1972.

Q To develop what kind of production, what were you looking for for No. 9?

A A million tons, approximately a million tons per year.

Q For how long?

A For 6 years.

Q And was that something that appeared then to be economically feasible?

A Yes.

Q With ratios that were suitable?

A Providing we could get the right price for the coal.

Q What was the right price for the coal, do you remember?

A Well, we were getting $18.72 at the time, and we were losing, of course, losing money at this price

Q Was there a right price, in your mind, as to what you needed to develop No. 9?

A You say to develop No. 9, developing No. 9 was just part of the mining operation, it wasn't the only part of the operation.

Q I understand. You suggested though that you could go into No. 9, you were satisfied you could go into No. 9 if you got the right price?

A Yes.

Q Was there a right price determined?

A Internally, yes.

Q And what price did you need to justify opening No. 9?

A Well, the price we needed was not just to justify No. 9, it was to justify the entire operation.

Q What price did you need to justify the entire operation?

A Well, we felt that, at the time that we needed a price of possibly $22.43.

Q At Vancouver?

A Yes, f.o.b. Vancouver.

Q And if you got that price, it would justify your proposals for 2, 5 and 9?

A Yes.

Q And it was - that was your discussion in December, in Japan?

A Yes.

Q All right. Now I gather that during the time you were there, there were problems in meeting the productions quotas that had been set?

A Oh yes.

Q And what were the, how would you describe the production problems that you were having, could you identify them?

A Well, the production problems we were encountering were weak roof conditions, the heaving of the bottom which required brushing of the entries, the methane gas emissions at the faces.

Q Any others?

A They were the principal mining problems.

Q And were those conditions encountered in both underground operations?

A To a certain extent, yes.

Q And were they worse in No. 5 than they were in No. 2?

A Yes.

Q Did you take any steps to initiate the closure of the No. 5 mine, to initiate the plan to close No. 5?

A No.

Q When did you first learn of the plan to close No. 5?

A Well, I was aware of the possibility of the mine being closed simply for the economic reasons that were apparent.

Q Had you discussed the possibility with your management?

A Not particularly. With whom, please?

Q With your -- who was your immediate superior?

A Mr. Fulton.

Q Had you discussed the closure of No. 5 with Mr. Fulton prior to the 25th of January, 1973?

A The 25th of January, '73, just, we had on occasion discussed the fact that it may be necessary.

Q Did you have a view as to whether or not it was going to be necessary to close No. 5 in January of 1973 before any decision was communicated to you?

A Just a personal view.

Q And what was that?

A That it would eventually be necessary because of the losses.

Q At what point?

A Well, I felt personally that we had reached that point.

Q Was there some production figure or some cost figure that you had in mind as determining that point?

A No, the cost figure I had in mind as determining the point was the extremely high cost of mining.

Q And that was compared to No. 2?

A No, just comparing it with nothing else, just looking at it as its own entity.

Q Did you recommend the closure of No. 5?

A Not as such. However, I fully concurred with the closure.

Q When the decision was made?

A When it was made known to me.

Q And when was it made known to you?

A May I refer to a date?

Q Surely.

MR. CRUMP: Surely.

A On January the 27th.

Q MR. STEVENSON: January the 27th?

A The 27th.

Q And who advised you?

A Mr. Fulton.

Q Had you prepared any report or recommendation from management at that point?

A No.

Q Had you discussed the plans for closure, the number of people who would be laid off, the deployment of personnel, the make-up of production requirements with anybody in your management prior to that date?

A No.

Q And Mr. Fulton advised you that a decision had been made to close up No. 5?

A Yes.

Q And did he tell you what was to be done with the staff from No. 5?

A Of course.

Q What was that?

A Well, we met together and discussed this in great length and went over the complete plan of closure and the number of people that would be laid off as a result, the number of staff and the hourly working people and the distribution of the remainder of the staff and so forth.

Q Was there any discussion about being able to employ all of the underground employees in No. 5 somewhere else?

A No, not all of them.

Q Was that suggested by you or by Mr. Fulton?

A No.

Q Was it clear to you that a certain number of employees must

Q (continued) be laid off?

A Very clear.

Q And that was the number in the order of 140?

A 148 hourly paid.

Q And Mr. Fulton informed you of this decision, did he indicate how the closure was to be effected, that is what was to be done with respect to phasing out No. 5 or whether it was to be a complete closure or what?

A Yes. We planned a complete closure and an immediate commencement of recovery of equipment and stabilizing of the mine entries were necessary.

Q Was that discussed with you or was it part of a decision that had already been made, the immediate closure?

A The immediate closure, the decision on immediate closure had already been made.

Q All right now, did you discuss with Mr. Fulton the possibility of pillaring back in No. 5's underground workings?

A No, not at that time. It was understood that there would be no pillaring back of the underground workings, the mine would be closed right away.

Q Did you see a document prepared by Mr. Rayfield which illustrated the deployment of personnel and the changes that were to be made on the occasion of the closure of No. 5?

A Yes.

Q Were you consulted in its preparation?

A No.

Q And was that, Mr. Rayfield's proposal, carried out?

A Yes, with slight modifications suggested by myself.

Q What modifications did you suggest?

A Oh, I just can't remember, they were insignificant to the total.

Q Not basic changes?

A No, no.

Q Now what day of the week was it that Mr. Fulton met with you, the 27th?

A That was a Saturday.

Q And was any communication made to the union at that time?

A Not on that day.

Q Now, was there a communication made to the Government?

A Insofar as we asked for appointments with certain Ministers.

Q And did you meet with a Provincial Cabinet Minister on the 30th?

A Yes, I did.

Q Pardon me, what date was it?

A On January the 29th, as a matter of fact.

Q Which was a Monday?

A Yes.

Q And you met Mr. Hohol, Dr. Hohol?

A I met Dr. Albert Hohol, yes.

Q And what did you advise him?

A And Mr. D'Esterre was present.

Q Mr. D'Esterre?

A D'Esterre, D'Esterre.

Q The Chairman?

A The Chairman of the Industrial Relations Board.

Q Yes, and what did you tell Dr. Hohol?

A Well, we discussed the closure of No. 5 mine, the reasons for the closure, the economic reasons for the closure, the plans to increase production in out strip mine and our No. 2 mine, the number of people to be laid off, hourly workers and staff.

Q Did you tell him that this decision had been made?

A Yes.

Q And what did you indicate was the, what, in your mind, was the economic basis for the closure of No. 5, did you have figures in mind?

A We did not quote any figures except that we had suffered losses up to that point of $15,000,000.00 in the operation.

Q Overall?

A Overall.

Q Did you have figures which economically justified the closing of No. 5?

A Well, the, the loss figures are published occasionally in the various quarterly reports and they indicate the losses that would justify the closure of the mine.

Q Was there any study directed particularly to the costs of No. 5?

A Not as such. Of course, we analyzed our costs regularly and tried to make improvements in them.

Q Was there any specific study of a time of in work nature conducted immediately prior to the closure of No. 5?

A No, not by my office or my staff.

Q Were you asked to, were you asked prior to the decision to close No. 5 to prepare figures showing the comparative costs between Nos. 2 and 5?

A No.

Q Were those figures available?

A Yes.

Q Did you have in mind any particular figure that would justify the closure of No. 5?

A No.

Q Or any particular production figure that would justify the closure of No. 5?

A No.

Q I take it you can look at your operation from two points of view, a production per man shift of your cost per ton?

A Right.

Q Did you have any figure in either class that you felt was the one that would necessitate the closure of No. 5?

A No, I did not have a goal type figure that would necessitate the closing of the mine.

Q Now you told me that you supported the decision to close No. 5. On what basis did you support it?

A Because it was economically justified.

Q Did you also support it on the basis that it would indicate that you weren't taking effective steps to reduce costs to the Japanese?

A By all means, this was very necessary.

Q Had the Japanese purchasers indicated in December that they wanted steps taken to reduce the costs?

A Yes, we were informed, notified at various times that we should take steps to improve our own situation, to help ourselves, instead of just continually asking for more money for the coal.

Q I take it that the buyers in fact were kept pretty well informed as to costs?

A Very much so, yes.

Q They are sophisticated buyers?

A Yes, they are.

Q And they were aware of your cost figures?

A Yes.

Q And they were kept informed of them?

A Yes.

Q Did they have their own staff check your records from time to time?

A Not, no, I would say no to that. However, they, when we went to Japan, of course we would disclose cost figures when necessary and they knew of course of what our losses were, like everyone else does, then can read the reports on that.

Q Were there negotiations in cost adjustment that you were involved in really based on the purchaser looking at your cost figures and saying that you should have some reasonable profit in addition, is that the sort of negotiation ---

A --- no, no, not just that way. We indicated to the Japanese customers that we felt that we had a right to earn a reasonable

A (continued) profit and to have a price for the coal which would return a reasonable profit to McIntyre Porcupine.

Q And generally speaking, with a purchaser's agreement, with this approach?

A Eventually we were successful in this approach but they did not express agreement immediately.

Q Did you approach them on the basis of competitive prices as well?

A Indirectly, yes. To this extent, that I felt that we should have at least something close to the world market price for low volatile metallurgical grade coal.

Q Was the world price set, the Virginia price?

A Well the, the world market price is set of course in the United States because they are the major producers of low volatile coal in the world and this is not one single price, each company has its own price and that price would depend upon how successfully they could negotiate and the quality of their coal.

Q And how did your coal compare in quality with the American coal?

A It was of equal value to the customers with the Itmann, the Keystone and very close to being of equal value to the customers with the Virginia Pocahontas.

Q And was your price comparable?

A No, our price was very much lower than these other prices.

Q Now the price was renegotiated earlier this year, is that correct?

A Yes, that is right.

Q And were you party to those negotiations?

A Yes.

Q And did the price then compare with the American market price for comparable coal?

A It did not completely compare with them. However, it came closer to comparing with them.

Q Would it be within $1.00 or some a ton?

A Not that close.

Q All right, now in connection with the closure of No. 5, were you present at a meeting with the union that took place shortly after your meeting with the, Mr. Hohol, Dr. Hohol, when you advised the union of the plans to close No. 5?

A Yes, may I refer to my notes?

Q Surely.

MR. CRUMP: Surely.

A On January the 30th, I met with the Department heads and staff on the closure of No. 5 and the same day, January the 30th, I met with the union and explained the closure of No. 5 and told them of the plans for expansion of No. 2 and 8.

Q MR. STEVENSON: And was Mr. Fulton present at the meeting with the union?

A Not at this meeting, no.

Q All right, you alone were present at this meeting, were you?

A Oh, I had Mr. Murray with me of course.

Q What did you tell the union at that time?

A Well, I told him about the closure of the mine and how many

A (continued) people would be laid off and the economic reasons that we had to do so and generally what would happen if we would, if we were to continue to employ them until the equipment was taken out of the mine safely and the mine stabilized where necessary.

Q At that meeting, did you tell them that - at that meeting was there any discussion from the union's point of view with the possibility of going in and pillaring out No. 5?

A To my best recollection they didn't mention that they would be interested in continuing to work to pillar up the mine, yes.

Q And what was your reaction to that?

A Well, my reaction to that was that we would not consider this.

Q Why not?

A Well, my personal reason for not caring to do any robbing of pillars at this mine is that I am a strong believer in leaving access to reserves rather than expeditiously working for maybe a month or two to rob pillars which would effect the subsidence of the strata and the main entries.

Q Would you agree with what Mr. Duncan said earlier that in order to preserve entry there was a point to which you could pillar out?

A In this mine I, I do not agree with this. Oh, yes, I do, I figured that the mine wasn't all ready at that point. I feel that any additional robbing of the pillars in this mine would put too much additional stress on the barrier pillars

A (continued) which support the main entries.

Q All right, and in your discussions with the union, was there at that first meeting a discussion of the plans to increase production from No. 2?

A Yes.

Q And what did you say?

A Well I, I just informed the union that we were going to go to a seven day, we had planned to go to a seven day work week in No. 8 and No. 2.

Q And what was their response to that?

A Well they, they took a dim view of this of course and indicated that, that they were afraid that they would not be willing to go to a seven day week in No. 2 mine.

Q That is to operate the mine for seven days a week?

A Yes.

Q Did they indicate to you that they would be prepared to do it on the understanding that Saturday and Sunday would be overtime in accordance with the agreement?

A I don't recall.

Q Your proposal was that it would be seven days, and Saturday and Sunday would be overtime?

A Yes, overtime after forty hours.

Q But you would put on more employees ---

A --- yes, we would add 40 people to the staff.

Q Each man would work a five day week and it might include Saturday and Sunday?

A Yes.

Q And how many additional employees would be absorbed from No. 5 if that were done?

A Approximately 40.

Q And the union rejected that at that meeting?

A Not officially at that meeting.

Q Was there another meeting?

A Yes.

Q And was the same subject discussed?

A Yes.

Q Was there a rejection at that meeting?

A May I?

Q Yes, surely.

A On February the 1st I met with the union and presented them with a list of job requirements for all departments in the mine and they declared that they would not cooperate along these lines in filling out the names of the people who should fill the jobs according to their contract seniority and they also told me at that time that there would be no acceptance of a seven day week.

Q And was there then a discussion about voluntary quitting at that meeting?

A No.

Q Was Mr. Fulton present at that meeting?

A No.

Q Was there another meeting at which Mr. Fulton was present?

A Yes, February the 3rd.

Q And at the meeting of February the 3rd, was there a discussion

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Q (continued) of the seven day week for No. 2?

A Yes, and also a discussion of the 148 people to be laid off and Mr. Fulton and I agreed to go along with voluntary quits for these 148 jobs and again they reiterated on the no seven day week in No. 2 mine but they told us it would be okay to work seven days a week at No. 8 mine.

Q No. 8 was the strip operation?

A Yes.

Q And at any of those meetings, did the union suggest to you that they would go to a seven day operating week if all the employees from No. 2 were employed?

A I do not recall that.

Q From No. 5 were employed?

A I do not recall that.

MR. CRUMP: Mr. Stevenson, I would like to draw to the attention of the witness that this is an inquiry and that, as I mentioned at the beginning of the inquiry, we are not necessarily following the strict rules of evidence and that in the interests of accuracy, there is no objection whatever to your referring to notes.

A Thank you.

MR. CRUMP: For dates, figures, and so on, so that we shall have the proper figures in the transcript.

A Thank you.

Q MR. STEVENSON: All right, Mr. Richardson, when the decision was made to close No. 5 mine, do you know what its projected economic life in your plans had been, how many

Q (continued) years it was expected to be operating?

A Yes, we were projecting the reserves in this mine on an experience scale. This meant that as we developed our main entries, we then considered this as mineable reserves on either sides of the main entries, so we were projecting ahead just as we mined the main entries. However, we felt confident that there was mineable coal ahead of us for the six year plan.

Q And when you say the six year plan, would that be six years from the inception of the contract ---

A --- no, from 1973.

Q And was the same true with No. 2?

A No, No. 2 underground mine itself, did not contain enough reserves for the six years, so as I mentioned earlier we would have to mine the the reiff terrace portion of No. 2 mine which is adjacent to the No. 8 strip.

Q What was the estimated economic life of the No. 2 underground mine as of your six year plan in the fall of 1972?

A It would start out for a couple of years at four thousand tons per day and then it would go down to two thousand ton a day at the time when we had to remove some of the underground equipment to the reiff terrace, and it would stay at that level then.

Q Would that maintain the same level of employment?

A Well yes, it would maintain the same level of employment because the same men that were running the equipment were doing the work in No. 2 would move along with their equipment

A (continued) to the reiff terrace.

Q And what was the effect on this plan or this thinking or decision to close No. 5, did that reduce the economic life of No. 2 again?

A No, no, that had no effect on the amount of reserves that could be mined in No. 2 mine.

Q Where were you going to get the extra production from?

A No. 8 and No. 9, and increasing the productivity of No. 2 of course.

Q Increasing the productivity of No. 2 ---

A --- an increase in the productivity of No. 2 would reduce the extent of the life, and that tonnage would be picked up in No. 9 when necessary.

Q Now, were you present at a meeting with a committee of the Provincial Cabinet on January 10th, 1973, to discuss the possibility of opening No. 9?

A Yes, on January the 10th I met with Mr. Getty, the Deputy Premier, and six Ministers and led a discussion of the opening of No. 9 mine.

Q Did you then consider that it was urgent to move into the No. 9 area?

A Very much so.

Q What had created that urgency, Mr. Richardson?

A This urgency was created by the fact that we were going to use No. 9 mine in our 6 year plan, and we had to get started because of the road building and the pre-production work necessary prior to mining the coal.

Q When was the decision made to rely on No. 9 to fulfill the original contract?

A When we made up the 6 year plan instead of the 15 year plan.

Q And that was in the fall of 1972?

A Yes.

Q And was any communication made to the Government at that time of the plans for closing No. 5?

A No.

Q You weren't aware that No. 5 was going to be closed at that point?

A No. We had No. 5 at that time included in our 6 year plan.

Q To produce one third of the requirements?

A That's right.

Q One third from No. 5, one third from No. 2 and one third from strip?

A Yes.

Q No. 8 and then No. 9?

A Yes.

Q When you were looking at the prospect of using No. 9 in the

Q (Continued) fall of 1972 was there a written plan prepared or written estimates prepared for your costs, of the development of No. 9?

A Yes. It's included in this report here.

Q Would this be part of the material that you were studying when you were making your decisions in the fall of 1972, this document?

A Yes.

Q And were you projecting that in 1975 No. 9 would comeon to production?

A Yes, m-hm.

Q No. 9 would come on to production in 1975?

A At that time we were figuring it. It would be into this amount of production here.

Q What was the urgency in early 1973, in January, that was concerning you? Was it to hit the 1975 production plan?

A No but it was to get the production started, actually, in early 1974, so that when we hit this 1975 period we would be in firm productive work over there.

Q And in 1973 did you project that the underground costs from No. 2 mine would be $7.64 per long clean ton?

A This --

Q No. 2?

A Yes, yes, m-hm. Yes, m-hm.

Q And No. 5 $7.64?

A Yes.

Q And No. 9 $10.37?

MR. CRUMP: Mr. Stevenson, may I ask what document you are quoting from?

MR. STEVENSON: It's a mine production cost estimate.

MR. CRUMP: From McIntyre Porcupine?

MR. STEVENSON: Yes. We'll have to identify it. I don't know whether the witness can identify it all.

A According to this report that's the figure, yes.

Q MR. STEVENSON: Which was considerably more expensive than the projected cost in the underground mine?

A According to this document. These were projected costs.

Q Yes.

A Taking into consideration the higher stripping ratio of No. 9.

Q This document is initialled by you?

A Yes.

Q And is that a plan which was proposed in the fall of 1972 as part of your 6 year program?

A This is possibly a work sheet which was used as part of the plan, a 6 year plan. Of course --

Q It's a plan designed to produce roughly 2 million long clean tons --

A Per year.

Q -- per year?

A Yes.

Q With one third coming from No. 9, --

A -- one third from 2 and one third from 5.

Q Yes. And is that part of the material that was considered in

Q (Continued) making the presentation to the Japanese?

A Yes.

Q All that I'm concerned about is this then, Mr. Richardson: When you were discussing the possibility of taking one third from strip, one third from No. 2 and one third from No. 5, was the estimated cost of production from No. 9 strip mine $10.37 per ton?

A Yes.

Q And the estimated cost of production from No. 5 $7.64?

A Yes.

Q And the estimated cost from No. 2 $7.64?

A Yes.

Q All right, Mr. Richardson, you went back to take part in negotiations with the Japanese after the closure of No. 5?

A Yes.

Q And were you able to reach a concluded agreement with the Japanese as to an adjustment of the prices?

A We were.

Q And did you also reduce the term of the initial contract at that time?

A Yes, we were successful in reducing the term of the 15 year contract.

Q Did you want to reduce the term of the 15 year contract?

A Yes.

Q Was this part of McIntyre's proposal?

A Yes.

Q And what was the position of the Japanese with respect to the reduction of the 15 year operation?

A Well, after much negotiating they accepted it.

Q And why did you choose to favour a 2 year contract?

A We wanted to be in a position to be on an evergreen basis on the sale of our coal.

Q What did you mean by that, Mr. Richardson?

A Well, that means that on a year to year scale you have the opportunity to negotiate the amount of coal you are going to deliver and the price at which it will be delivered.

Q And that was the position the company wanted to get into?

A Yes.

Q And did get into?

A Yes.

Q At that time did the Japanese ask for any plans for the future, any firm mining plans past 1974?

A No.

Q Did they ask for firm plans up to the end of 1974?

A Not really. We had already presented the 6 year plan before that.

Q And you were satisfied that you could meet production for the 2 years?

A Oh yes. Satisfied that we could meet production for the 15 years, the term of the contract.

Q Yes. Under the basis you had originally told me about?

A Yes.

Q And with respect to the 2 years it was now clear it was going to be met from No. 2 and No. 9?

A That's right, 2, 8 and 9.

Q Yes, I'm sorry. 2, 8 --

A 8 and 9.

Q 8's life was comparatively short?

A Rather, yes.

Q So it would be exhausted in '73 or '74?

A Yes.

Q Your plans for No. 9, had you decided how you were going to get the coal out of the No. 9 area?

A Yes, we originally planned to truck it over, build a road, truck road, and haul it over in trucks.

Q Had any work been done towards planning that part of the operation when you left in March?

A Yes, there were studies being made at that time.

Q Had there been any decision made as to whether No. 9 would be contracted or done with McIntyre's own forces?

A At that time the decision was that the work would be contracted.

Q And had discussions been held with the contractors?

A Yes.

Q Were there any firm quotations from any of the contractors at that time?

A I wouldn't be aware of that. That was done in the corporate office in Toronto.

Q What was your involvement with the planning for bringing No. 9 on to production?

A My involvement in this plan was just to formulate the original plan internally at the offices of Grande Cache.

Q So you didn't have any discussions with the proposed contractors yourself?

A Not per se. However, we did welcome them to the property and show them around and, and all this sort of thing.

Q Were there any cost feasibility studies done within your control?

A No.

Q Were you aware of any cost feasibility studies for No. 9?

A No, the various bidders I'm sure were making their own cost studies.

Q Were you aware of anything presented to the company?

A No, this would not come through my office.

Q Now when you came on to the property in 1971, for a short period of time the mine had to all intents and purposes been operated by the Paul Weir Company, is that correct?

A I understand that this was the case, for a short period of time. However, when I arrived they were not involved.

Q Did you have access to their reports and studies?

A I did not see them, the reports that they made during their management period prior to my arrival.

Q Were you aware that they had indicated a need for a new underground mine commencing January 1973?

A No, I have never seen that report.

Q Where would they have reported to? Would those reports have been to your head office, or do you know?

A I presume that they would have been reporting to the Toronto office.

Q Was there some work done in the number 10 seam of No. 2 mine while you were on the operation?

A Yes.

Q And what work was that?

A Well, after the closure of No. 5 I decided to start work in the number 10 seam, to clean up the entries that had been driven, retimber the roof where necessary, install a power line to the site, install ventilation fans and the proper equipment offices and lab offices, and begin mining coal, at this location.

Q Was there any significant production from that seam, while you were there?

A Not really. Most of the time that I was there was spent in the clean up and the retimbering and the cleaning of various falls of roof in the mine. However, they did mine some coal.

Q Did you have any estimates as to the mineable reserves in that seam?

A I believe it's in the neighbourhood of 3 million tons.

Q Raw?

A Yes.

Q Was there any decision made during the time that you were there as to whether or not you should go ahead or not with that particular mine?

A Well, I had decided myself to go ahead with it, otherwise I would not employ people and spend money in cleaning it up.

Q But you didn't in fact go ahead with it?

A Pardon me?

Q You didn't go ahead with it?

A I did go ahead, yes.

Q What happened to the production from that mine?

A Well, it was commingled with the, eventually commingled with the production from No. 2.

Q All right. Were there any plans for working the No. 11 seam?

A No. Not while I was at Grande Cache.

Q Were there problems encountered in mining No. 10 seam?

A Yes.

Q What kind?

A We had a water emission from the roof, and this would cause roof failures at the face of the working entries.

Q Was there a similar roof problem to what would have been encountered in the No. 4 seam, was there a similar problem?

A I understand when they were opening the No. 4 seam at No. 2 mine that they would have outbursts of water from the roof, but as they advanced into the mountain, under the cover, this ceased to happen.

Q Were these problems in the No. 10 seam, in your opinion, capable of control?

A Yes, we were controlling them and mining coal.

Q And you thought it was an economical operation?

A And I felt that we had to go through this phase of the operation in order to get further, get into the mountain, under the better cover.

Q Did you think it was an economical operation?

A Oh, it certainly was not economical while I was doing it. I didn't produce enough coal to make it economical.

Q The long term prospects you thought --

A Long term prospect, yes, I hoped to develop it into an economical mine.

Q When you came on the site was there a plan to drive the No. 2 workings through to the other side of Sheep Creek?

A There had been a study of this prior to my coming on site.

Q And was that part of the overall mining plan when you came on the site?

A No. I would say no.

Q Had it been abandoned?

A Yes.

Q And were you satisfied that it had to be abandoned?

A Oh yes.

Q Conditions wouldn't enable you to do it?

A That's what I felt.

Q So that when you were there --

A However, --

Q Sorry.

A -- on top of -- I'm sorry, for interrupting. On top of --

Q Go ahead.

A -- the conditions that we knew existed in the mine at that time and the heaving of the bottom and the brushing necessary, we were not certain that we could get the mine the entire way through the mountain. There was no certainty that we could. We didn't, we did not have extensive exploration in the area that would prove to us at that time that we could get through the mountain.

Q As far as you were concerned the plan of taking No. 2 through was effectively abandoned?

A Yes.

Q So that the plans for No. 9 then involved road movement?

A That's right.

Q I take it that you've been involved in trying to locate other

Q (Continued) markets for the coal being produced at Grande Cache?

A That's right.

Q And in particular in the United States?

A Yes.

Q And what other markets have you investigated, successfully investigated?

A Successfully. We have sold and shipped approximately 14,000 tons of coal to the United States Steel Corporation. We have an order for 200,000 tons of coal to be delivered the balance of this year, from Bethlehem Steel Corporation.

Q At what price are these deliveries being made?

A At the same price as we're getting from the Japanese, f.o.b. Vancouver.

Q But you are delivering it f.o.b. where?

A We're delivering the coal to Bethlehem Steel to Vancouver and putting it on board ship for them.

Q And they are paying the same price as the Japanese buyers?

A Yes, right.

Q And I take it that you have in fact investigated other possible buyers?

A I certainly have. I have visited most of the consumers or users of low volatile metallurgical grade coal in the United States, and this includes the makers of foundry coke as well as blast furnace coke.

Q And is the price delivered to Vancouver competitive with what they're paying in the United States itself?

A Yes, the price to Vancouver is competitive. However, the

A (Continued) freight rates make it very difficult to just easily sell this coal to these markets.

Q Do you know what the cost of shipment via Vancouver is to these buyers?

A Well, there you are at the mercy of the ocean shipping trade, and recently there has been a sharp escalation in the ocean freight rates, so just to quote, it would be impossible to quote you a rate at this time, because short term orders like this would have to be almost on a spot shipping basis.

Q I see. What about the eastern Canadian markets, has that been investigated?

A Not by me, but, however, I'm sure that it has been talked about and investigated by other people, in the corporation.

Q And at the moment is it largely met from American production?

A Yes, wholly met from American production.

Q And do you know what kind of prices are now being paid?

A No, I do not.

Q Do you know what kind of prices are being paid at Hampton Roads for coal comparable to Grande Cache?

A Yes.

Q What is it?

A Oh, it ranges from, right at the moment, from 23 to 25 dollars, f.o.b. Hampton Roads.

Q And is there a significant, does there appear to be a significant demand for metallurgical coal?

A Yes.

Q And are you aware of any studies of the prospects for price escalation over the next few years?

A Well, my personal views, I'll express my personal views on this. I am not aware of any studies of the price escalation over the next few years. However, I feel personally that there will be a continuing price escalation, due to the fact that the cost of labour continues to increase and the cost of supplies and equipment continues to increase.

Q This may be a bit simplistic but in the last negotiations with the Japanese were the discussions on the basis of your cost plus reasonable rate of return or were they on the market?

A A combination of both.

Q And from your point of view you felt that it was in the company's interest to get in a position where you would be in a take it or leave it position in the future?

A Very much so.

Q And you were satisfied that there would be markets, if not in Japan, elsewhere, at a price, at an economic price as far as McIntyre is concerned?

A Let me say that we still value the Japanese steel mills as our major customer. We feel that we were in a position to supply coal to Japan more economically than anyone else. This is low volatile metallurgical grade of coal I'm speaking of.

Q Yes.

A So we, in no way, shape or form are we thinking of turning our backs on our Japanese customers. We hope to continue to supply coal to Japan for many many years. However, we are very much interested in diversifying our market. So in order to be able to do this, under our present scale of production, we had

A (Continued) to ask the Japanese to take a decreased amount of coal, for the next year or two, so that we would have coal available to go and offer to other markets.

Q Had you given consideration of your position, what your position would be at the end of that now comparatively short period, if the Japanese were not prepared to pay your price?

A Well, we would, without a long term contract we would be in a position where we would find it necessary to go to other markets, if this should happen. However, I feel that this happening is very very remote.

Q You had considered the fact of that?

A We know that there's a calculated risk.

Q You considered the fact, of course, that you had a 15 year contract with Canadian National?

A Yes.

Q Had you considered the fact that the financing of the community as a whole was based on a 15 year contract?

A I don't know whether that's true or not, that the financing of the community was based on a 15 year contract.

Q That's a fair enough comment, Mr. Richardson. Did it occur to you that it might have been?

A No, because we are very confident that we're going to continue to mine coal in the Smoky River Valley and associated areas.

Q Are you confident that you're going to be able to do it from underground sources at least in part?

A Yes.

Q And what underground sources from your last experience would you say were available?

A Again I will say that from underground we will be able to in the future mine coal from No. 1, --

Q Yes, all right, let's stop there. No. 1, who is going to mine, under present plans who is going to mine the coal from No. 1?

A Professor Keenan.

Q And is there any obligation on him to use McIntyre employees?

A No.

Q All right. No. 3?

A No. 3.

Q You think that's a hydraulic prospect?

A Yes.

Q Is hydraulic mining as labour intensive as continuous mine operation or long haul operation?

A No.

Q And does it require different skills than the miners presently employed have?

A Oh naturally.

Q No. 14?

A No. 14.

Q How, what method of mining would be used for it?

A The same method we're using now.

Q And do you know what it's -- I think you told me a little while ago you had some idea what its reserves were.

A Yes.

Q Which were in what order?

A Oh, in all seams up there I believe the figure is 40 million tons --

Q In place?

A In place, yes.

Q Do you have a recoverable figure in that?

A Well, our recovery now is, I believe about 70 -- 68 to 70 per cent of the coal mined, and we normally would mine about 50 per cent of the reserves in place.

MR. STEVENSON: That's all the questions I have, thank you.

MR. CRUMP: Mr. Ingle, have you any questions of the witness?

MR. INGLE EXAMINES THE WITNESS:

Q Mr. Richardson, you referred to the documents prepared by I think it was your Mr. Rayfield on the reduction of the work force that would take place on the closure of No. 5 mine.

A I did not refer to these documents, sir.

Q Oh, I'm sorry. In questioning by Mr. Stevenson I thought there was a reference to a document prepared by Mr. Rayfield.

A Mr. Stevenson did refer to a document, prepared by Mr.--, but I did not.

Q Yes. All right. You were questioned about it.

A That's right.

Q And I understood from your evidence that basically the pattern of layoffs suggested in that document prepared by him was the one which was followed, with certain modifications suggested by yourself.

A Yes, very slight modifications.

Q Yes. Now, I'm informed, Mr. Richardson, that in some cases the plan required called for the laying off of personnel who were

Q (Continued) in fact needed by the company, whose employment was required by the company.

A No, I'm not aware of this being the case.

Q You're not aware of that being the case.

A No.

Q Are you aware that in some instances men were, their employment was terminated, they received severance pay, and then after a few days off they were recalled?

A There were certain, there were one or two recalls I believe. However, I'm not aware of how much time elapsed between the time when they were laid off and the time they were recalled. This would be made necessary through extenuating circumstances, which could not be foreseen.

Q In fact, Mr. Richardson, were there not some people who received severance pay, whose employment had been terminated, who did not in fact lose a single shift?

A Not that I know of.

Q You're not aware of that?

A No.

Q Now you referred to the proposal or you were asked about the proposal to go to a seven day week. Is it not correct that regardless of whether a seven day week is to be instituted or not some 148 men would still have had to be laid off?

A Yes.

Q That's correct?

A Yes.

Q Now, on the closing of No. 5 mine I believe you said that you

Q (Continued) disagreed with any proposal to pillar out No. 5.

A Yes.

Q Do you know whether or not there was some pillaring out of No. 5 as it was closed?

A Let's see. I can't recall of any pillars being removed.

Q Well, I'm informed that on the last shift some 300 shuttle cars of coal, with approximately 800 tons of coal, were plundered out on the last shift. You have no knowledge of that?

A That may be true, but that would be, that amount of coal, taken out of a coal mine of the size of No. 5, would be not meaningful, would be very insignificant.

Q Why do you say it would be insignificant?

A Oh, --

Q Because of the quantity?

A Yes.

Q Have you any knowledge of the recovery of machinery from No. 5 mine, as it was closed out?

A Just to the extent that we set up a program whereby the machinery would be recovered by the employees.

Q Were some of the people who had been laid off employed to recover machinery?

A Well, they all had the opportunity to continue working to recover the machinery, until such time as it was completed.

Q And at the time of that recovery had that mine or portions of it been declared unsafe, by the inspector?

A At the time of the --

Q At the time that the machinery was recovered.

A At the time the machinery was recovered there were portions of that mine which were not being actively worked, because we were rebrushing our way into them, and retimbering our way into them.

Q Were there unsafe conditions in some areas?

A In the areas we were rebrushing?

Q Yes.

A Yes.

Q And were some men employed to recover machinery in areas that the inspector considered unsafe to work?

A Not to my knowledge. We don't send men into work in unsafe places.

Q You say to your knowledge. It may have occurred, but you don't know about it?

A That's right.

Q Yes.

A I am not saying that it did occur, I am saying that we do not send people to work in an unsafe place, except for the purpose of making it safe.

Q Mr. Richardson, Mr. Stevenson has asked you about No. 2 mine; there have been rumours, I suppose, to the effect that the company was planning on phasing out No. 2 mine within a year, do you have any comment on that, Mr. Richardson?

A I am certainly not aware of any such rumour.

Q I see. If you were aware of that rumour, and I am telling you about it now, would you say anything about the validity of such a rumour?

A No, I would say from my knowledge there is no validity to such a rumour. Mr. Duncan testified to the effect that the Department had agreed to a discontinuation of the driving of the entries in No. 2, and the beginning of the pillaring of of the mine. This does not mean that the company is phasing the mine out; this means that they are going to pillar that portion of the mine.

Q I wonder if, Mr. Richardson, you can help me understand a little better these contracts with the Japanese? I must say that the little study I have made of this I am a bit confused;

Q (continued) there was a contract in April, 1971 for the supplying of coal on a 15-year -- over a 15-year period at a price, I understand, F.O.B. Vancouver of 17.88 a ton?

A That was an existing -- that contract was existing at that time, yes.

Q Yes. And then in -- there was a renegotiation that resulted in a new price established in, I am informed, in May 1972, of $18.72 a ton?

A Yes, this new price was as a result of negotiating an established escalation clause. You see, we had -- prior to this we had signed a new contract with the United Steelworkers, and we were exercising an escalation clause as a result of this, so that we did get some additional amounts for the coal at that time.

Q I see. The next question I was going to ask you is, there was an escalation clause then in the 15-year contract --

A Yes.

Q -- with the Japanese? And it provided for escalation of the price on what basis?

A On a limit of, I believe, 50 cents a ton.

Q Under what circumstances?

A Well, under the circumstances of having to have an addition to the price you had to pay your labour.

Q Was it related only to labour costs?

A It is related to labour and the price indexes of the equipment and supplies.

Q Was there any consideration in those negotiations to the

Q (continued) revaluation of the American dollar?

A No, not at that time.

Q That had no bearing on the renegotiated price?

A No.

Q And there was no provision for consideration of freight rates, or was there?

A Yes, there was an increase at that time to take care of an increase --

Q In freight rates?

A -- a small increase in freight rate.

Q And then in April, 1973 the negotiations with the Japanese purchasers was on a completely different basis?

A That's right.

Q The 15-year contract was terminated?

A Right.

Q And a new contract entered into --

A I would call it a new agreement.

Q A new agreement. On a 2-year basis?

A Yes.

Q At $21.95 a ton --

A Yes, that's right.

Q -- F.O.B. Vancouver?

A That is correct.

Q And was there any provision in that contract for escalation during the term of the contract?

A Now, this will be automatically taken care of due to the fact that we have the opportunity each year to ask for a different

A (continued) price for the coal.

Q Each year?

A Each year.

Q Again on what basis?

A Well, this would have to be on a reasonable basis, which would include any escalation in the cost of labour, material and supplies, etc., to take care of inflationary prices, whatever might happen.

Q And if you fail to reach agreement on such a price I presume there is an option on either party to terminate the contract?

A That is correct, yes.

Q So your bargaining strength with the Japanese, what it really was, was your ability to provide them with the tonnage that they required?

A Basically that is the --

Q You had no other bargaining strength than that?

A No, there is an underlying bargaining strength as I mentioned before, we are natural physical suppliers of coal to the Japanese market. We are the closest readily available source of this type of coal that they have.

Q If I can come back again briefly, Mr. Richardson, to the decision to close No. 5 mine; I think you said earlier that that decision was based on -- the company's conclusion that to continue the operation of No. 5 mine was no longer economical?

A That's right, basically that is the reason.

Q And I understood you to say in response to questions from Mr.

Q (continued) Stevenson that in the fall of 1972 you confirmed that the figures which were contained in a document that he showed you, that the production costsof No. 5 mine were $7.65 --

A They were projected costs.

Q Those were projected costs?

A Yes.

Q And the projected costs from No. 9 were $10.37; was there any change in those figures that led to the decision to close No. 5?

A This $10 price that we keep speaking of was simply a projection. We did not know how we would come out on the costs of No. 9 due to the fact that it was going out on competitive bidding. This was simply a projected cost that we arrived at by using the stripping ratio and arriving at it ourselves, an internal decision.

Q So when the decisionwas made to close No. 5, were there any available costs comparable to the projected costs showing what the economic -- what the economies were with respect to the continued operation of No. 5 mine?

A No, not to my knowledge.

Q Then on what basis was the decision made?

A On the -- it was made to improve the extreme loss position we were in.

Q You had no specific figures on the costs of No. 5, the operation of No. 5?

A Of course we know what the cost of the operation is.

Q The operation of No. 5 mine specifically?

A Yes, it is in the records, the financial records of the company.

Q Can you inform the Commission as to what that figure was?

A I don't have them on the tip of my tongue, I am sure that they would be sent in the material that the Commission would have.

MR. SABEY: I think the question was, "Was there a separate study?" and the answer was that there was no study. I think that is where the confusion is arising. I think the witness is saying that the figures were there and were known, and are in the material filed with the Commission. I think Mr. Stevenson asked if there were separate studies.

MR. INGLE: And the question was, have those figures been made available to the Commission?

MR. CRUMP: Mr. Stevenson?

MR. STEVENSON: Yes, the figures are available.

MR. INGLE: Thank you very much. I have no further questions.

MR. CRUMP: Mr. Sabey.

MR. SABEY: Thank you, Mr. Chairman.

MR. SABEY EXAMINES THE WITNESS:

Q Mr. Richardson, one or two minor points: Turning to this question of the layoff; now, without talking in terms of numbers of individuals, or one meeting or the second meeting or the third meeting, was there any discussion between yourself and Mr. Fulton of an attempt to minimize the number

Q (continued) of people that would be laid off as a result of closure of the No. 5 mine?

A Yes. Our plan to increase production at No. 8 and No. 6 did minimize it to 148 people.

Q From what?

A From an employment force of approximately 180.

Q And that plan you put forth to the Union?

A Yes.

Q And the Union rejected it?

A Yes.

Q But in point of fact you did not lay off, or there were not 180 people who quit, no persons were laid off, that has been established, there weren't 180 that actually quit, there were about 140?

A 148.

Q And why that difference?

A Well, I continued to employ the balance of those people in order to open up the No. 10 seam primarily.

Q Fine. So the opening of the No. 10 seam came about when you were unable to increase production on the No. 2 mine by virtue of the proposed 7-day operation?

A That's right.

Q And did you have that plan in mind, that contingency of opening up No. 10, did you have that in mind when you were discussing this with the Union?

A Oh, yes, I had it in mind.

Q Now, during these discussions with yourself and Mr. Fulton

Q (continued) was there any discussing of closing No. 5 mine in a manner so to keep it available for the possible future operation?

A Yes, primarily that is the reason I did not want to rob the pillars.

Q I understood that, Mr. Richardson, but was there any discussion between you and Mr. Fulton about it?

A Not specifically.

Q I see. And did you take it that you just each understood that?

A Yes.

Q Now, when you were proposing to move 40 people into No. 2 mine, was that simply to move 40 or would that be an additional 40? I presume it was conceivable that some of the people from No. 2 mine would choose to leave so that it wouldn't just be 40 selected from No. 5?

A No, that means that -- that would mean that 40 more people would stay on the payroll --

Q Yes.

A -- it would be a combination of people working in 2 and 5, because of the voluntary quits.

Q That's fine. Now, prior to the last renegotiation with the Japanese, you indicated your prices were lower than the US prices; what were the circumstances that led to that situation, why were they lower?

A Well, over a period of time, the period of time between the initial signing of the 15-year contract and establishment of a price with the Japanese, and the period of time that you're

A (continued) speaking of, there was a rapid increase in the price commanded for low volatile metallurgical grade coal, and McIntyre was unable to keep up with this price increase under the terms of the 15-year contract.

Q Was there a corresponding cost increase?

A Oh, yes.

Q Now, had your prices always been lower than US prices?

A No. The original price that McIntyre was able to get for the coal was approximately $1 more than the F.O.B. price of the United States low volatile coal.

Q So then would you please explain to me why this evergreen, I think is the term you used, why the evergreen basis is desirable rather than to be locked into a 15-year contract?

A At that time we would have been on an evergreen basis, we would naturally have kept our prices, because our costs kept going up the same as everyone elses; we buy the same material, we employ the same good grade of people to work for us, and pay the same high wages, and our prices kept going up, or our costs kept going up, but we were unable to escalate our prices because of the terms of the 15-year contract.

Q And lastly, Mr. Richardson, you have mentioned markets; have you also looked at markets in South America?

A Yes, we are investigating the South American market at the present time.

Q Now, sir, as I understand it, one reason you feel confident of your Japanese is because you can ship the coal there cheaper than somebody else from the East Coast?

A That is very true.

MR. SABEY: Thank you very much.

MR. CRUMP: Mr. Patching, have you any questions of the witness?

MR. PATCHING: Yes, a few.

MR. PATCHING EXAMINES THE WITNESS:

Q Perhaps you can clarify this for me; I understood in the questions just recently that there had been expected to lay off 180 personnel, and that it was reduced to -- a reduction of only 140 personnel?

A No, that is not quite correct, Mr. Patching. There were approximately 180 people employed in No. 2 mine, hourly paid people.

Q 2 or 5?

A I am sorry, No. 5. However, 148 of these people would be laid off and the remainder would be used to fill in for the 7-day a week plan at No. 2. That was the original plan. But when the Union declined to work 7 days a week, and we agreed not to carry the issue any further, I decided at that time not to lay off any additional people, you know, the entire work force of 180-some people, but to use these people to open up the No. 10 seam.

Q So that how many in fact were reduced in the working force?

A 148 hourly paid.

Q And in addition there were other people laid off too: I see from the exhibit that McIntyre has filed on the chronology of events, on page 14, it refers to a resultant reduction of

Q (continued) 206 persons in the hourly rate and salaried work force?

A That would be including the staff.

Q 148 were hourly rate?

A Yes, the balance were staff.

Q And the balance were staff?

A Yes.

Q You lost a lot of Chiefs as well as some Indians. Another question; I think Mr. Stevenson asked you if you had seen the Paul Weir Report on the property before you came, or that had been made before you came to the property --

A I had seen the feasibility studies made by the Paul Weir Company. I had not seen the particular document concerning the recommendations or whatever they made in the document, during the time that they were managing the mines in the absence of the general manager.

Q And did you know of their existence, did you know if they had prepared any reports?

A No.

Q So you were not informed of any reports they might have submitted during that time?

A No, I am sorry, I am not.

Q I see. Another question; did the mine staff maintain a systematic inventory and review of coal reserves in the different areas of the mines properties?

A Oh, yes, in the active mines, yes.

Q You kept a systematic inventory --

A Oh, yes, and we update our mine prints every month.

Q And did you maintain schedules for the short-term --

A Yes.

Q -- and the long-term schedule of production?

A Yes, that would be right on the mine prints.

Q Thank you.

MR. GRUMP: Mr. Graham, have you any questions?

MR. GRAHAM: Yes, just one.

MR. GRAHAM EXAMINES THE WITNESS:

Q I am rather curious that in view of the fact that you had an assured market in Japan, and that you weren't producing sufficient coal to fulfill your commitments to that market, why go to all of the trouble of trying to develop other markets?

A In order to give us flexibility of pricing and orders of coal.

Q And then largely it was in order to develop pricing methods that can be used in negotiating with the Japanese, was this the idea mainly behind it?

A Not strictly in that sense. We were locked in, strictly speaking we were locked into the Japanese market with a 15-year contract, and we had absolutely no pricing flexibility at all. That is why we were so much lower in price for our coal than the similar American coals.

MR. GRAHAM: Well, I don't know, it is not a very good explanation, but I will accept it. I am just a layman, so I have no idea of high finance, I depend on the Chairman for that, his experience --

MR. CRUMP: Thank you for nothing.

MR. CRUMP: (continued) Any further questions, Mr. Graham?

MR. GRAHAM: No.

MR. CRUMP: Well, I have a few, Mr. Richardson.

MR. CRUMP EXAMINES THE WITNESS:

Q First, in this somewhat critical period covered in your examination this morning, say of December '72 and January '73, you were President of McIntyre Coal Mines Limited?

A Yes, sir.

Q And remained President until March, 1973?

A Correct.

Q As I noted at the time. And in the report to shareholders for the year 1972, and dated, I think, March the 16th, in Toronto -- that is correct, March the 16th, you were listed as President of the McIntyre Coal Company Limited, located in Grande Cache, that is a fact?

A There was a slight change there, I am sure that would be true, but it didn't change my duties or responsibilities.

Q What was the slight change, may I ask?

A They formed a -- the company, the company that you lastly mentioned, just as a subsidiary company.

Q But prior to December the 31st, 1972?

A I don't know the exact date it was done.

Q Very well, we will leave that question at the moment. It has intrigued me in the annual report.

Now, perhaps you can straighten me out on another matter; in Mr. Fulton's report to shareholders for the first 6-month period dated August the 9th, 1973, he

Q (continued) states that during July a coal purchase agreement for the sale of approximately 185,000 long tons was finalized with another steel maker, and that prior to that 13,000 tons to a US purchaser; it is not important, but these differ from your figures of 200,000 tons to Bethlehem, and 15,000 tons to US Steel?

A I was speaking in net tons, Mr. Crump.

Q Short tons?

A Yes.

Q I see. As I say, these are minor details..

Now, under our terms of reference as established by the Order-in-Council, Item No. 3 specifically refers to marketing and pricing, and I would just like to ask one or two questions in this regard: In your evidence, as I understand it, you had prepared a 6-year plan, but this would have been part of the contract at that time of 15 years?

A Yes, part of the remainder of the 15-year contract.

Q Thank you. A rather important change, in my opinion, a very important change took place when you renegotiated with the Japanese buyers from 15 years to 2 years, and you were personally a part of those negotiations in Tokyo, I believe?

A Yes.

Q And I would like to check the transcript tonight, of course, but as I understood it, in renegotiating downward to a 2-year contract or agreement, as you call it, you indicated that there might be something beyond that, the 6-year plan, the 15-year plan, but the agreement is only for 2 years?

A The present agreement is only for 2 years.

Q So the 6-year plan and the 15-year plan at this stage of time are merely matters of discussion?

A That's right.

Q If I might return to the US Steel and Bethlehem deliveries for a moment, I would like to confirm that the 215,000 short tons that you mentioned are being delivered F.O.B. Vancouver at the same price as the export Japanese coal?

A Yes, the 200,000 tons, Mr. Crump, is being delivered from Vancouver at the same price as the Japanese pay.

Q Both to Bethlehem and US Steel?

A US Steel are not taking coal from Vancouver, Mr. Crump, just Bethlehem.

Q Well, this I wanted to clear up.

A Yes.

Q How is US Steel taking it?

A US Steel coal was shipped via rail, one trainload to Gary, and one trainload to Thunder Bay.

Q I think probably then that was the coal that the Commission saw being loaded when we were at Grande Cache.

A Probably.

Q Part of the 15,000 tons?

A Yes, sir.

Q But Bethlehem is all being delivered at Vancouver?

A Yes.

Q Now, Mr. Ingle was questioning you about the contract under

Q (continued) which the mine is now working; it was well publicized at the time, but I just want to make it clear, I think there was some obscurity here, that it was a 2-year contract, the price of $21.95 held for the first year only?

A That's right.

Q And also that the tonnage, a million and a quarter tons was for the first year?

A For the first year.

Q And that the second year both on price and tonnage was to be negotiated?

A That's right.

MR. CRUMP: That is all I have, gentlemen, but I think we will find that there is a very extensive transcript after today's Hearing, and there may be points that the Commission would like to give instructions to Commission Counsel on, so I wish you would return tomorrow morning at 9:30 for re-examination by Commission Counsel.

A I will be happy to do so.

MR. CRUMP: Thank you. This Hearing is adjourned for the day.

(The Hearing adjourned at 1:01 p.m.)